

**SOUTH CAROLINA ARTS COMMISSION**

**COLUMBIA, SOUTH CAROLINA**

**STATE AUDITOR'S REPORT**

**JUNE 30, 2018**



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 24, 2019

Mr. Ken May, Executive Director  
and  
Members of the Commission  
South Carolina Arts Commission  
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Arts Commission (the Commission), on the systems, processes and behaviors related to financial activity of the Commission for the fiscal year ended June 30, 2018. The Commission's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Commission. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Commission has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the Commission and management of the South Carolina Arts Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA  
State Auditor

**South Carolina Office of the State Auditor  
Agreed - Upon Procedures Related to the South Carolina Arts Commission (H91)**

**Cash Receipts/Revenues**

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations in G/L Account 4300010000 (Other Operating Grants - Restricted) in the Earmarked Fund and in G/L Account 4280020000 (Federal Operating Grants - Restricted) in the Federal Fund.

We found no exceptions as a result of the procedure.

**Cash Disbursements/Non-Payroll Expenditures**

2. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations in G/L Account 517- (Allocations) in the Restricted Fund and G/L Account 503- (Supplies & Materials) in the Federal Fund.
3. Randomly select twenty non-payroll disbursements and inspect supporting documentation to determine:
  - Transaction is properly completed as required by Commission procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
  - All supporting documents and approvals required by Commission procedures are present and agree with the invoice.
  - The transaction is a bona fide expenditure of the Commission.
  - The transaction is properly classified in the general ledger.
  - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
  - Determine that disbursements are recorded in the proper fiscal year.
  - Clerical accuracy / confirm proper sales/use tax.

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
4. Haphazardly select five purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2018 and inspect supporting documentation to determine:
    - The cardholder is an authorized user.
    - The purchase is authorized based on the cardholder's job title/position.
    - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
    - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of these procedures.

## **Payroll**

5. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
6. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
7. Haphazardly select two employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Commission's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
8. Haphazardly select two employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Commission's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of these procedures.

## **Journal Entries and Transfers**

9. Haphazardly select five journal entries and transfers for the fiscal year to:
  - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
  - Confirm transaction is properly approved.
  - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of these procedures.

## **Reporting Packages**

10. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
11. In addition to the procedure above, perform the following:
  - Grants and Contributions Revenue Reporting Package

Haphazardly select three grants to determine if the reported beginning and ending fund balances, receipts, qualified expenditures, fund, grant number, and CFDA number agree to the South Carolina Enterprise Information System (SCEIS) general ledger and/or SCEIS Display Grant Master. In addition, recalculate the reported total receivables and deferred revenue to determine accuracy.
  - Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Commission prepared records.

## **Reporting Packages (Continued)**

### **Findings**

Two of the Commission's eight reporting packages were submitted to the CG one business day late.

Expenditures for one grant totaling \$2,500 were not reported on the Grants and Contributions Revenue Reporting Package.

### **Management's Response**

Both findings relate to a transition in the agency's accounting staff in June 2018. We do not expect this type of error to occur again.

### **Travel Advances**

12. Haphazardly select two travel advances and inspect supporting documentation to:
- Determine if the travel advance was not made to an employee for travel within the state without proper approval from the CG.
  - Determine if the travel advance was not made for more than 80% of the estimated amount of total travel expenses or made in instances where 80% of the estimated travel expense does not exceed \$250.
  - Determine if the Commission maintained adequate records/supporting documentation regarding the advance.
  - Determine if the travel advance was submitted for approval no later than seven business days prior to the beginning of the trip.
  - Confirm the employee repaid the advance within thirty days after the end of the trip.

### **Finding**

The Commission did not submit one travel advance request to the CG seven days prior to the beginning of the trip as required by CG disbursement regulations.

### **Management Response**

This error has been noted. Future advance travel notices will be submitted on time.

## **Governance, Risk and Compliance (GRC) SCEIS Module**

13. Select all four controls identified through the SCEIS GRC system that were in place during fiscal year 2018 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of these procedures.

### **Appropriation Act**

14. Inspect the Appropriation Act work program, provided to and completed by management, confirming areas of noncompliance, if any.

### **Appropriation Act (Continued)**

15. Confirm compliance with the selected agreed-upon Commission-specific state provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of these procedures.

### **South Carolina Arts Foundation**

16. Obtain and inspect the Memorandum of Understanding or other related document between the Arts Commission and the South Carolina Arts Foundation to determine the roles and responsibilities of each party.

We found no other matters related to our procedures.

### **Minutes**

17. Inspect the Commission's approved minutes beginning with the end date of prior year fieldwork through the end of our fieldwork.

We found no other matters related to our procedures.

### **Status of Prior Finding**

18. Through inquiry and inspection, determine if the Commission has taken appropriate corrective action on the finding reported during the engagement for the prior fiscal year.

We found no exceptions as a result of these procedures.